

Message Text

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ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 L-03 DODE-00 PA-01

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FM AMEMBASSY THE HAGUE

TO AMEMBASSY JAKARTA

INFO SECSTATE WASHDC 6426

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E.O. 11652: N/A

TAGS: MASS, ID, NL

SUBJECT: FRIGATES FOR INDONESIA

REF: JAKARTA 9287

1. SUMMARY: GE EXECUTIVIES, RAWSON AND NOONAN, WHO WERE PRACTICALLY CERTAIN GE LM 2500 ENGINES WOULD POWER THREE FRIGATES TO BE BUILT IN THE NETHERLANDS FOR THE INDONESIAN NAVY, ARE NOW CONCERNED BY DEVELOPMENTS OF LAST FEW DAYS IN THE HAGUE, PARTICULARLY DUTCH INSISTENCE IN FAVOR ROLLS ROYCE OLYMPUS ENGINES. RAWSON PLANS TO RETURN TO JAKARTA FIRST WEEK OF AUGUST AND WILL CONTACT DLG. END SUMMARY.

2. WE APPRECIATE TIMELY RECEIPT REFTTEL.

3. EDWARD M. RAWSON, DIRECTOR MARINE SALES, CINCINNATI, AND DONALD J. NOONAN, MANAGER MARINE AND INDUSTRIAL MARKETING EUROPE, GENEVA, SWITZERLAND, OF GE HAVE BEEN IN THE HAGUE SINCE JULY 27. THIS ARRANGED TO COINCIDE WITH VISIT HERE
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OF INDONESIAN ADMIRAL MOCHTAR, CHIEF, NAVAL MATERIEL, FOR PURPOSE OF REVIEWING TECHNICAL SPECIFICATIONS AND CONTRACT TEXT FOR THE THREE FRIGATES. RAWSON AND NOONAN JOINED HERE JULY 30 BY RACHMAT WIRANATAKUSUMAH OF SUNDA KARYA CORP.,

GE AGENT FOR THIS TRANSACTION. THEY HAVE HAD LONG DISCUSSIONS WITH COM COUNS.

4. ALL THREE ARE WORRIED BY FACT THAT NEVESBU'S MANAGING DIRECTOR HAS BEEN INSISTING IN DISCUSSIONS WITH MOCHTAR THAT ENGINES FOR FRIGATES BE ROLLS ROYCE OLYMPUS TM 3B AS SPECIFIED IN ORIGINAL SPECS DRAFTED SOME THREE YEARS AGO, POINTING OUT ENGINE CHANGE WOULD REQUIRE VESSEL MODIFICATIONS AND EXTRA COST. ALSO MOCHTAR APPEARS TO BE HAVING DIFFICULTIES WITH NEVESBU RE OTHER ASPECTS OF THE TRANSACTION, SUCH AS THE INDO-REQUIRED SPEED OF 30 KNOTS.

5. NEVESBU IS ACTUALLY THE DESIGN AND ENGINEERING BUREAU WITHIN RHINE-SCHELDE-VEROLME (RSV), THE DESIGNATED FRIGATE BUILDER. RSV HAS A CONTROLLING INTEREST OF 77.5 PERCENT IN NEVESBU, THE BALANCE BEING HELD BY A SUBSIDIARY OF PHILIPS (10 PERCENT) AND A COMPANY OF THE WELL-KNOWN DUTCH CONGLOMERATE VERENIGDE MACHINEFABRIEKEN N.V. -- VMF (12.5 PERCENT).

6. OTHER WORRIES OF GE EXECUTIVES ARE: (A) BARINGTON, SALES MANAGER OF ROLLS ROYCE MARINE AND INDUSTRIAL ENGINES, ARRIVED HERE JULY 30 IN CONNECTION THIS TRANSACTION. HE EXPECTED TO HELP SETTLE QUESTION OF A FIRM PRICE FOR THE ENGINES, WHICH ROLLS ROYCE HAD KEPT OPEN UNTIL NOW. IT IS RUMORED THAT HE WILL QUOTE A 1975 PRICE WITH A GUARANTEE THAT PRICE COULD NOT INCREASE BY MORE THAN TEN PERCENT (INFLATION) EACH YEAR AFTER 1975 UNTIL DELIVERY. (B) DUTCH NAVY FRIGATES POWERED BY ROLLS ROYCE ENGINES. (C) MOCHTAR HAD INDICATED EARLIER THAT HE AUTHORIZED TO SUBSTITUTE GE'S LM2500 ENGINE FOR ROLLS ROYCE OLYMPUS, BUT APPEARED TO BE LESS ASSURED ON JULY 30. HE MENTIONED POSSIBILITY OF INSERTING CLAUSE IN CONTRACT FOR SPECS CHANGES, INCLUDING LM2500 AS AN OPTION, WITHIN SIX MONTHS FROM DATE OF CONTRACT SIGNING AT NO ADDITIONAL COST TO INDONESIA. WE ARE TOLD ACCEPTANCE SUCH CLAUSE BY SHIP-BUILDER UNLIKELY, AND IN ANY CASE THIS WOULD WEAKEN GE'S LIMITED OFFICIAL USE
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POSITION. (D) NEVESBU SENIOR OFFICIALS WERE SUPPOSED TO HAVE MEETINGS WITH GE'S RAWSON AND NOONAN FOR TECHNICAL DISCUSSIONS RE THE LM2500 ENGINE. HOWEVER, THEY HAVE BEEN AVOIDING THEM UNDER THINLY VEILED PRETEXTS.

7. NEVESBU/RSV TEAM EXPECTED ARRIVE JAKARTA AUGUST 9 FOR FINAL PRESENTATION TO INDO NAVY CHIEF OF STAFF AUGUST 11 AND CONTRACT SIGNING AUGUST 15, LATTER AS CONFIRMED BY REFTEL.

8. RAWSON, RACHMAT AND MOCHTAR PLAN ARRIVE JAKARTA FIRST WEEK OF AUGUST. FORMER TWO INTEND CONTACT JAKARTA MLG

WHICH, THEY STATED, HAD ALREADY BEEN EXTREMELY HELPFUL IN THIS TRANSACTION.

9. COMMENT: WE DO NOT HAVE HERE THE COMPLETE DETAILS OF THIS TRANSACTION. GE EXECUTIVIES AND RACHMAT WERE PRACTICALLY CERTAIN GE ENGINES WOULD POWER THE THREE FRIGATES WHEN LAST IN JAKARTA TWO WEEKS AGO, ESPECIALLY AFTER ISSUANCE BY DLG OF MID-JULY LETTER OF ASSURANCE OF SUPPORT FOR TRAINING AND PARTS PURCHASING THROUGH FMS, AT REQUEST OF ADMIRAL MOCHTAR. NOW GE IS WORRIED. IT HOPES AND SEEKS ASSISTANCE TO INSURE HANKAM'S DECISION IN FAVOR GE LM2500 ENGINES.
BROWN

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